

Message Text

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ACTION EB-08

INFO OCT-01 AF-10 ARA-10 EUR-12 EA-07 NEA-10 IO-13
ISO-00 AGRE-00 CEA-01 CIAE-00 COME-00 DODE-00
FRB-03 H-01 INR-07 INT-05 L-03 LAB-04 NSAE-00
NSC-05 PA-01 AID-05 SS-15 STR-04 ITC-01 TRSE-00
USIA-06 PRS-01 SP-02 FEAE-00 OMB-01 XMB-02 OPIC-03
/141 W

-----098002 271842Z /47

P R 271550Z JUL 77
FM AMEMBASSY LONDON
TO SECSTATE WASHDC PRIORITY 6525
INFO AMEMBASSY BRUSSELS
AMEMBASSY MANILA
AMEMBASSY TOKYO
AMEMBASSY BANGKOK
AMEMBASSY BRASILIA
AMEMBASSY BUENOS AIRES
AMEMBASSY CAIRO
AMEMBASSY CANBERRA
AMCONSUL DURBAN
AMEMBASSY GUATEMALA
USMISSION GENEVA
AMEMBASSY MOSCOW
AMEMBASSY NEW DELHI
AMEMBASSY OTTAWA
AMEMBASSY PARIS
AMEMBASSY PORT LOUIS
AMEMBASSY PRETORIA
AMCONSUL RIO DE JANEIRO
AMEMBASSY SANTO DOMINGO
AMEMBASSY SUVA
AMEMBASSY MBABANE
AMEMBASSY MEXICO

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USEEC

FOR: EB/TRP
E.O. 11652: N/A
TAGS: EPAP, ETRD, ISO

SUBJECT: SUGAR CONSULTATIONS: SITUATION AT MID-STREAM

1. SUMMARY. FIRST WEEK OF DISCUSSIONS IN LONDON HAVE CENTERED PRINCIPALLY ON VETTING THE NEW U.S. PROPOSALS FOR STOCKHOLDING AND FINANCING. NO OTHER PROPOSALS HAVE BEEN PUT FORWARD. WORKING GROUPS, WHICH HAVE BEEN EXAMINING VARIOUS TECHNICAL ASPECTS OF THE U.S. IDEAS, SHOULD COMPLETE THEIR WORK JULY 27, LEAVING REST OF WEEK FOR CONSIDERATION AND, HOPEFULLY, RESOLUTION OF THE OTHER MAJOR UNRESOLVED ISSUES. THE DISCUSSIONS THROUGH JULY 26 HAVE BEEN SERIOUS WITH MOST DELEGATIONS EXCEPT BRAZIL (WHICH HAS BEEN LARGELY SILENT) SHOWING CONSIDERABLY MORE FLEXIBILITY THAN IN GENEVA. END SUMMARY.

2. WORKING GROUP A WAS SET UP TO IDENTIFY AND EXAMINE THE VARIOUS COST ELEMENTS IN STOCKING. CHAIRED BY SAUZIER OF MAURITIUS, IT DIVIDED COSTS INTO "OPERATING CHARGES", "INSURANCE" AND "FINANCING COSTS" OF THE CAPITAL VALUE OF SUGAR STORED. COUNTRIES WERE REQUESTED TO PROVIDE ACTUAL DATA ON COMPONENT COSTS OF OPERATING CHARGES. THE FIGURES OBTAINED FROM MOST COUNTRIES WERE SURPRISINGLY REALISTIC AND RELATIVELY COMPATIBLE. TOTAL COST OF OPERATING CHARGES AND INSURANCE FELL IN A RANGE FROM 0.61 (ZERO POINT SIX ONE) TO 0.67 (ZERO POINT SIX SEVEN) CENTS PER POUND PER YEAR. FINANCING COSTS WERE ESTIMATED FROM ONE CENT TO 1.44 (ONE POINT FOUR FOUR) LIMITED OFFICIAL USE

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CENTS PER POUND PER YEAR DEPENDING ON VALUE OF SUGAR AND INTEREST CHARGES ASSUMED. THE ISSUE OF WHETHER A PORTION OF THE FINANCING CHARGES SHOULD BE COVERED BY THE STABILIZATION FUND WAS LEFT FOR DISCUSSION IN THE PLENARY.

3. WORKING GROUP B CONSIDERED THE SIZE OF THE STOCK NEEDED FOR STABILIZATION. THE U.S. AND AUSTRALIA PRESENTED ECONOMETRIC ANALYSES WHICH DIFFERED WIDELY IN THEIR CONCLUSIONS. THE U.S. STUDIES PLACED STOCK LEVELS REQUIRED FOR STABILIZATION TO BE AT LEAST 3 MILLION TONS; AUSTRALIA PLACED LEVEL AT 1.84 MILLION. ATTEMPTS TO RECONCILE THE DIFFERING TECHNICAL APPROACHES WERE UNSUCCESSFUL. ARGENTINA SUBMITTED MARKET ANALYSIS PROPOSING STOCK LEVELS OF 2.55 MILLION TONS, WHILE CUBA,

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/141 W

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BACKED BY BRAZIL, PROPOSED A LEVEL OF 2 MILLION TONS.
THE GROUP WAS UNABLE TO REACH A CONSENSUS AND ITS CHAIR-

MAN, FLETCHER OF SWAZILAND, SUGGESTED THE SIZE OF STOCKS MUST CLEARLY BE A MATTER FOR NEGOTIATION.

4. WORKING GROUP C EXAMINED THE METHODS OF OPERATION OF A STABILIZATION FUND. THE ONLY PROPOSAL DISCUSSED WAS THE U.S. SUGGESTION FOR A STABILIZATION FEE. AFTER LENGTHY BUT INCONCLUSIVE DEBATE ON THE INCIDENCE OF THE FEE, THE IDEA WAS GENERALLY ACCEPTED. DISCUSSION THEN CENTERED ON WHETHER PAYMENTS FROM THE FUND SHOULD BE IN THE FORM OF INTEREST FREE LOANS AS PROPOSED BY THE U.S. OR IN THE FORM OF GRANTS. CANADA AND JAPAN SUPPORTED THE U.S., WHILE EXPORTERS PREDICTABLY PRESSED FOR A GRANT.

5. THE WORKING GROUPS WILL REPORT TO THE PLENARY JULY 27. IN PLENARY SESSIONS DURING THE FIRST WEEK, CUBA HAS SHOWN CONSIDERABLE MOVEMENT OFF ITS INFLEXIBLE POSITIONS AT GENEVA. CUBA HAS STATED THAT IT IS NOW WILLING TO ACCEPT AUTOMATIC SUSPENSION OF QUOTAS AT THE MID-POINT OF THE PRICE RANGE AND HAS LOWERED ITS PROPOSAL FOR A MINIMUM PRICE FROM 15 TO 13 CENTS. IN PRIVATE TALKS WITH U.S. AND OTHER IMPORTERS, CUBAN REPS HAVE EMPHASIZED THEIR NEW FLEXIBILITY ON ALL ISSUES BUT TWO: QUOTA SHARES (THEY WANT THEM EXPRESSED AS BETS IN TONS) AND SPECIAL ARRANGEMENTS (CUBA'S EXPORTS ARE NOW UNSPECIFIED AND UNLIMITED TO SOCIALIST COUNTRIES).

6. AT THE END OF THE FIRST WEEK, THE LONDON MEETING HAS HAD A SERIOUS, IF SOMETIMES INCONCLUSIVE, REVIEW OF LIMITED OFFICIAL USE

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MAJOR ISSUES. THE MAJORITY OF EXPORTERS ARE CLEARLY MORE DISPOSED TO REACH AN AGREEMENT THAN THEY WERE IN GENEVA. THIS IS MOST NOTABLE IN THE ATTITUDES OF CUBA, THE DR AND THE PHILIPPINES. THE EXCEPTION IS BRAZIL WHICH PLAYED A LEADERSHIP ROLE IN GENEVA BUT HAS BEEN LARGELY SILENT IN LONDON. (NEVERTHELESS, AT THE BEGINNING OF THE JULY 27 SESSION THERE WERE HEARTENING INDICATIONS OF A SHIFT IN BRAZIL'S TACTICS). THE FINAL THREE DAYS OF THE MEETING WILL HOPEFULLY FOCUS MORE CLOSELY ON THE SPECIFIC ELEMENTS OF A POSSIBLE "PACKAGE" FOR AN AGREEMENT AND WILL DETERMINE WHETHER A BROAD ENOUGH CONSENSUS EXISTS TO WARRANT RESUMPTION OF THE GENEVA NEGOTIATIONS IN THE FALL. BREWSTER

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Message Attributes

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